

This Week in Agriculture:
News That Could Make a Difference: March 24, 2016

- A holiday shortened and somewhat uneventful trading week this week as traders turn their attention to next week's acreage and stocks report and fresh news appeared to be lacking. When the closing bell rang today we saw May corn up 3 for the week—trading at the top level of the recent front month range, May wheat finished the week unchanged while May soybeans were up 13.
- A freeze event in the Southern Plains last weekend had many traders anticipating fireworks for wheat Sunday night, however what could only be described as a complete lack of interest or need for proof overpowered the need to buy and left wheat languishing.
- Many look back to the last time we had a March freeze and realize that though the top end on yield has likely been removed the yield potential has not yet been completely destroyed. However, the last time we had a freeze event in March we had mild temperatures and moisture to help the crop recover, the fact that decent weather and moisture are lacking in the area, combined with the potential of another significant freeze 10 days out will likely keep traders on their toes for now.
- The dollar had a small role in the lack of a freeze rally as it worked to have its longest winning streak since December. Talk that The Fed could raise rates as early as April or June has some believing that the economy could potentially be stronger than what many took away after last month's meeting.
- Aside from the freeze concerns in the Southern Plains and outside economic developments market moving news proved difficult to find this week. Ethanol numbers for corn released on Wednesday showed a slight reduction in production from the prior week as well as a slight reduction in stocks. Though at face value the reduction in production seemed negative, the fact that the week's production was 42,000 barrels higher than year ago levels indicate corn demand for ethanol could potentially outpace current USDA estimates as we work our way into the second half of the marketing year.
- Export sales were decent for corn compared to numbers seen during the first few months of the marketing year, but were below the recent pace and on the low end of estimates. Soybean sales were on the low end of pre-report estimates as well, with meal surprising traders by being the only strong sector in this week's report. Strong meal sales at nearly double that of expectations were surprising considering rumors this week indicated the first cargo of Brazilian meal was secured into the Southeast feed market.
- Next week's quarterly stocks report will give us a better indication of current supplies as well as indicated usage. It is important to remember that expectations are for higher stocks than a year ago, but that does not necessarily mean the report will be bearish. It will be important to see where USDA numbers come in versus expectations to get a better idea of overall supply and demand fundamentals. If numbers come in higher than expectations that means we are using less than anticipated, while if numbers come in below expectations the opposite is true. With livestock herd sizes increasing next week's number will give us a much better view of how much corn we are feeding versus current USDA estimates.
- Ahead of next week's report the acreage debate will likely garner the most attention as it will help us get a better idea of what to expect production wise in the year ahead. It is interesting to note that last year USDA estimates came in 500,000 acres higher than the pre-report expectation for corn, 430,000 acres higher for wheat and 1.3 million acres lower for soybeans.
- Even more interesting to note that last year's March 31st acreage estimates were 800,000 acres too high for wheat, 1.2 million acres too high for corn and 1.94 million acres high on soybeans. Basically meaning that while trader expectations going into the report will give us a measuring stick by which to read the USDA's numbers they are likely to vary, furthermore while next week's numbers will give us an outline on what to expect they are in no way an indication of what we will end up with when the planters are put away.
- Weather-wise wet areas in the Delta look to see some drier conditions in the days ahead before wet weather returns late next week. This afternoon's 6-10 forecast shows below normal temperatures are expected in the West, with wet weather expected throughout much of the country. The 8-14 day forecast is calling for below

normal temperatures throughout the Western Corn Belt to the Southern Plains, with dry weather expected in the Western Belt and wet conditions expected to the East.

The markets are closed tomorrow in honor of the Good Friday holiday, reopening Sunday night at their regular time. Next week is likely to be a mix of month end, quarter end and position squaring ahead of Thursday's report, meaning a lack of true market direction is likely. Be sure to keep in mind the current market structure and don't be afraid to reward any further market rallies in the short term. Weather will begin to drive trades and there is potential we could see more of a risk premium develop if conditions stay less than ideal. Of course any type of futures rally will likely limit basis gains, so keep in mind what you're risking if you decide to roll the dice, or at the very least have target orders in place to capture any quick moves higher. In the meantime if you have any questions don't hesitate to call, we're here to help. Until next week, have a great weekend and stay safe!

All the Best!

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